
TOO GOOD TO BE TRUE....

A Column on Consumer Issues

by Attorney General Wayne Stenehjem's
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PREPARING FOR THE TAX SEASON

It happens every year -- another tax season is upon us. If you are thinking about getting help from a tax preparation service, make sure you know what will be provided and how much it will cost.

Before you visit a tax preparer, read your tax booklet, collect any documents that might apply to your taxes, including last year's return. Check out the qualifications and reputation of the preparer. If you have a complex tax situation, ask if he or she has experience with your type of situation. Even if a tax professional prepares the tax return, the tax payer is ultimately responsible for its accuracy, so be sure to double check the figures and the social security numbers before the return is filed.

By filing your return electronically (e-filing), a consumer can reduce the time it takes to get a refund -- to just a couple of weeks! That time can be reduced to just a few days simply by requesting an electronic deposit of the refund. Your bank can provide you with the routing numbers to include on your return.

Some tax preparation businesses provide additional services to consumers-- but beware, they are not such a good "deal" when you know all the details:

REFUND ANTICIPATION LOANS: The fee for a "refund anticipation loan" is usually \$30-\$120, depending on the loan amount, and your "refund loan" usually arrives 2 or 3 days after you electronically file your taxes. This fee is in addition to the tax preparation fees.

THE TRUTH: You should be concerned. The "fee" amounts to an interest rate of up to 700% APR -- for the "convenience" of getting your refund 1 or 2 days faster than you would if you e-filed the return and had the refund electronically deposited directly into your account.

TAX LIABILITY LOANS: These loans allow you to pay the taxes due when you file, and pay back the loan by July 15 - for a "small convenience fee."

THE TRUTH: The "convenience fee" can be as high as one-third of your tax debt and is in addition to the interest rate on the loan -- which is usually 21-26% APR. You can get a better deal by charging it to your credit card. If you need a short-term loan, check with your bank for the best deals.

REFUND CONVERSION OFFERS: Some businesses encourage consumers to cash in a refund check by offering a bonus for “converting” the refund into cash.

THE TRUTH: Think twice before spending your refund all in one place just to get a 5% saving – you may spend more than you can afford.

Several agencies offer free tax preparation and filing for seniors. For more information or to arrange an appointment with a volunteer in your area, contact State Tax Aide Coordinator Albert Uhler, at 701 225-3853 or via e-mail to: ahuhler@ctctel.com.

For more information on preparation and e-filing of state and federal returns, contact the State Tax department at: <http://www.state.nd.us/taxdpt/indincome/electfiling/>.

Next week we will address the top twelve tax scams.

The Attorney General’s Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.

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